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Assistance Banking Insurance Lifestyle

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Dr Daniel Mulino MP
Chair, House of Representatives Standing Committee on Economics
Department of the House of Representatives
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CANBERRA ACT 2600
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Dear Dr Mulino MP

Thank you for your additional questions relating to the House of Representatives Standing Committee on Economics – Inquiry into insurers' responses to 2022 major floods received on 19 March 2024. The answers below are in two parts, firstly specific questions to RACQ and secondly, questions to all insurers. The data spreadsheet is attached separately. I hope this information further assists the Committee in its deliberations.

Part 1: Flood insurance inquiry: Additional questions for RACQ

RACQ says complaints are dealt with by frontline staff for 5 weeks (25 business days) before being moved to IDR. Your submission indicates that all 3,914 complaints you received went to IDR – that none was resolved by frontline staff over five weeks.

At IDR, 76% of complaints were resolved in favour of the consumer.

1. It seems that this process would have resulted in 3,914 breaches of the code's complaints timeframes. Were these reported to AFCA?

- 1.1 In our response provided on 17 November 2023 to question 2.5, RACQ advised that we received a total of 3,914 complaints in the relevant reporting period. As RG271 considers the Internal Dispute Resolution (IDR) commences on the date the complaint is received whether resolved at first point of contact or not, RACQ reported all these complaints as being managed by IDR processes.
- 1.2 Our response to question 2.7 advised that 3,057 complaints were resolved in 30 calendar days or less, noting that RACQ measure timeframes in calendar days in line with the General Insurance Code of Practice (GICOP). RACQ participated in an investigation conducted by AFCA regarding RACQ's compliance with RG 271.56 (maximum timeframes for an IDR response). The investigation was subsequently closed out by AFCA on the basis that whilst RACQ acknowledged in some cases it had breached its obligations under RG 271.56, AFCA was satisfied that RACQ had implemented appropriate actions and processes to address that non-compliance.

2. Why don't you forward claim complaints to IDR when they are made, or soon after – so that, out of fairness to the consumer, they can be resolved much earlier?

- 2.1 RACQ's IDR process commences from the moment that an expression of dissatisfaction is received from a policyholder. The IDR function is not an individual team but rather, a three-tier process involving



multiple staff from frontline consultants through to the Claims Escalated Management team (EMT) and then the Member Relations specialist consultants whose reporting line is independent of the claims team.

- 2.2 As detailed at pages 12 and 13 in RACQ's submission on 17 November, tier one of RACQ's IDR process empowers frontline staff to firstly receive, record and where appropriate resolve expressions of dissatisfaction. We consider this is the most efficient and effective method to understand, address and respond to complaints in a timely manner. We have found that the more cases our frontline teams can resolve, the more we are likely to achieve greater levels of member/customer satisfaction.
- 2.3 Tier two of our IDR process relates to more complex complaints, where further actions may be required to ensure that the complaint receives an appropriate level of expertise and attention, which is why some cases need to be escalated by frontline teams to our Escalated Management Team (EMT), which is comprised of experienced staff with the appropriate delegations, skills and complaint management knowledge necessary to undertake a comprehensive review of the complaint and actively seek an appropriate resolution.
- 2.4 Tier two of our IDR process continues when frontline staff or, in some instances EMT are unable to resolve the complaint to the complainant's satisfaction, or where the complaint deals with particularly complex or technical matters; the complaint will then be escalated to RACQ's Member Relations team for review. The RACQ Member Relations team sit independent from frontline and EMT functions and are highly experienced staff who review the complaint and provide a final response to the complainant.
- 2.5 If a complaint is unable to be resolved within 30 calendar days, written communication is issued to the complainant (prior to the 30 calendar days expiring) advising them of their right to escalate a grievance to the Australian Financial Complaints Authority (AFCA). This is in accordance with paragraph 147 of the GICOP and proceeds to RACQ's tier three IDR process.
- 2.6 Tier three of our IDR process occurs when a complaint is referred to AFCA, at which time the AFCA complaint will be managed by an RACQ Member Relations External Dispute Resolution specialist.

Mr Carter told the inquiry (Hansard, p. 5) that once a complaint goes to AFCA, 'we do seek to try and reach a resolution rather than have to make it go through the whole process.'

3. Why don't you try to resolve these cases before they go to AFCA – if you can resolve dozens early in the AFCA process, why not earlier?

- 3.1 RACQ seeks to resolve complaints without the need for escalation to AFCA.
- 3.2 There may be instances where complainants choose to raise a complaint directly with AFCA instead of expressing their dissatisfaction to RACQ or they feel very strongly about receiving an outcome from AFCA, as an independent body.
- 3.3 Further, some complainants may choose to raise a complaint with AFCA whilst RACQ is in the process of responding to the same complaint, resulting in RACQ communicating with AFCA.

Your submission says that AFCA timeframes do not give insurers enough time to negotiate an outcome with complainants.

4. You have about two months to resolve complaints internally. In fairness to consumers, doesn't a time limit have to be placed on resolving complaints?

- 4.1 RACQ agrees that, in the interests of fairness to all parties, it is necessary for AFCA to set timeframes for both a complainant and RACQ to respond to requests made by AFCA. In our submission, we were pointing out that RACQ has experienced inconsistency in AFCA's consideration of the low number of instances where RACQ has sought an extension to respond to a request for information, particularly where RACQ believe that the granting of additional time would assist to reach resolution with a complainant. RACQ remains of the opinion that it would be helpful for AFCA to better clarify the criteria applied when considering a request for an extension.



5. How much did the EDR process cost you in 2022-23?

5.1 In the period 1 January 2022 to 31 December 2023, AFCA invoiced RACQ a total of \$3,450,361.40 for services rendered and annual membership, consisting of the following fees and charges:

- Membership fees: \$10,323.05
- Case fees: \$2,006,584.51
- User charges: \$1,433,453.84.

6. Do you regard the costs you incur at AFCA as a normal cost of business?

6.1 RACQ supports the role AFCA plays in providing an External Dispute Resolution service and we accept that the industry is required to fund its operations. AFCA's fee model means that it is in our interests, and the interests of our overall membership, to resolve complaints without the involvement of AFCA wherever possible, and to take actions to minimise the costs incurred at AFCA rather than accept the current level as a normal cost of business.

RACQ now assesses the majority of its claims using internal assessors and direct allocation and management of service providers (submission, p. 15).

7. When did you introduce this change?

7.1 RACQ introduced this change in early 2021.

8. How many internal assessors do you employ now compared with the number employed in mid-2022?

- 8.1 RACQ currently has 11 property assessors employed as permanent staff. This number increased by 1 FTE since June 2022. (Please also refer to our Part 2, section 5.1 response outlining the growth in our internal assessing resources from 4 to 11 since 2019).
- 8.2 RACQ also employed an additional property assurance specialist since June 2022, bringing this number to three. These roles provide assurance oversight to both our internal and external assessing resources as well as the method and quality of repairs completed by our suppliers. Through a mixture of quality inspections and claim reviews, this assurance drives quality outcomes for our policyholders.

Cash settlements

9. What percentage of CAT221 claims that you approved or partially approved involved cash settlements?

9.1 RACQ provided full or partial cash settlements for 50% of CAT221 building claims. The vast majority (90%) of our building claims were for claims under \$20,000 and of this the majority were for amounts under \$5,000. We had 44 claimants (0.4%) with large claims of \$100,000 or over opting to cash settle.

10. How does this percentage compare with percentages in previous years?

10.1 Please refer to our response in part 2, section 1.2 below that provides 10 years of cash settlement data.



Part 2: Flood insurance inquiry: Additional questions for all insurers

Cash settlements

1. What is the proportion of home building claims you have settled with:

a. A cash settlement (min \$50,000) in each year in the past 10 years?

1.1 Table 1 below shows the cash settlement rates for payments over \$50,000 as a proportion of home building claims lodged in the past 10 years.

Year	Building Claims
2014	0.08%
2015	0.20%
2016	0.09%
2017	0.23%
2018	0.43%
2019	0.83%
2020	3.24%
2021	2.12%
2022	2.05%
2023	3.13%

b. A partial cash settlement (min \$50,000) in each year in the past 10 years?

1.2 Table 2 below shows the partial cash settlements rates as a proportion of home building claims lodged in the past 10 years.

Year	Building Claims
2014	0.08%
2015	0.31%
2016	0.11%
2017	0.38%
2018	0.51%
2019	1.20%
2020	3.53%
2021	2.25%
2022	2.35%
2023	3.24%

2. In what percentage of your cash settlements, in relation to the 2022 flood-related claims, did customers return saying the amount of money was inadequate to cover the required work? In

what percentage of these cases did you agree to increase the cash settlement?

2.1 RACQ does not specifically record where a claimant responds that the settlement was inadequate, however does capture any dissatisfaction raised by a claimant as a complaint in line with Regulatory Guide 271. For CAT221, RACQ recorded a complaint relating to the cash settlement value in 6.3% of



household claims that had a cash settlement, noting this may include policy limit or excess related complaints. These were managed through the IDR process to resolve to the claimant's satisfaction or AFCA determination.

- 2.2 RACQ does not record data specifically relating to where a claimant's cash settlement has been increased.

Claim denials

3. What are you doing and what have you done to improve the quality of the 'expert' reports on which you rely to deny or partially deny claims?

- 3.1 RACQ has uplifted its expectations of expert's reports setting new standards of reporting with clearly defined criteria. The Quality Assurance criteria has also been updated to review the quality and content of expert reports. Both report accuracy and complaints are KPIs for our suppliers.
- 3.2 Policyholders/claimants are welcome to obtain their own independent report and RACQ may also ask contracted providers to comment on each other's reports to ensure accuracy and accountability of reported findings.

Third-party service providers

4. Describe, in detail, the nature of your arrangements with your third-party service providers. For example:

a. If contracted, what is the nature of the contract?

- 4.1 All third-party service providers are contracted with RACQ using legally binding templated contracts that stipulate clauses, terms, services, commercials, and service levels. All RACQ contracts are stored on RACQ's service provider management system and have regular reviews conducted.

b. Can they work for other insurers as well?

- 4.2 No service provider is obligated to work exclusively for RACQ and RACQ does not require this of any of its service providers.

c. Are they paid retainers?

- 4.3 No service providers are paid retainers.

5. How many assessors (damage/building/cost) do you employ directly, i.e. full-time and part-time? Please provide these numbers for all years since 2019.

- 5.1 Table 3 below provides RACQ's FTE property assessor numbers.

RACQ Property Assessors	FTE
2019	4.0
2020	6.0
2021	10.0
2022	10.0
2023	11.0
2024	11.0



6. Please provide the number of employed vs contracted assessors for each year since 2019.

6.1 RACQ does not directly contract assessors, however, does utilise an external loss adjusting service to provide greater scale as needed, primarily driven by weather events. The actual number of assessors employed by external providers and those allocated to supporting RACQ can vary significantly and is demand driven. The number of assessors employed directly by RACQ is shown in table 3 above.

Transparency

7. Do you always provide external experts' reports to customers when asked, as you are obliged to under the General Insurance (GI) Code?

7.1 Yes, RACQ is committed to handling claims in a fair, honest, and transparent manner. Information relied upon to make a decision on a claim, including expert reports is made available to claimants and is detailed as a standard line in all partial and full decline correspondence as an option to request this information. RACQ maintains a documented process and trains its claims staff in ensuring this is made available upon request in accordance with paragraph 81(c) of the GICOP.

8. Do you provide all information related to a claim decision if a customer requests it? If not, why not?

8.1 Yes, all relevant information relied upon to make a decision on a claim, including service provider assessment reports is provided to policyholders/claimants in all cases upon request.

9. Consumer groups want insurance companies to CC the customer in on emails between their insurer and contracted third parties. Would you be prepared to do this? If not, why not?

9.1 RACQ believes improving meaningful communication is critical and takes every opportunity to keep its claimants updated on the progress of their claim, including sharing relevant communications between RACQ and service providers (for example, a builder) to add value. However, copying a claimant into all correspondence may not provide clarity and we would not want such a practice to unnecessarily confuse or frustrate policyholders over information or advice that may have been misinterpreted.

9.2 RACQ continues to focus on improving the capability and capacity to provide more frequent and meaningful communication to claimants from both our claims staff and suppliers.

10. Do you record all information relating to a claim, whether assessment reports, case notes, or details of communications with customers, on one site or platform? If not, why not?

10.1 RACQ's core claim system, ClaimCenter is the source of truth for claim information and is fully integrated with our repairer communication platform, Endata, and our customer relationship management platform, Connect. Each of these integrated systems work together and maintain a record of all assessments reports, case notes, complaints and feedback, claim updates, and communication between all parties.

11. If a case manager is away, can another staff member quickly and easily access all information relating to a customer's claim should the customer seek information?

11.1 RACQ has documented expectations for the format, content, and timeliness of updating notes and all case notes are also structured to include a 'next action' for ease of reviewing notes by the next person so that the policyholder/customer does not have to repeat the circumstances of their claim.



12. Would it be a good idea for customers to be given, when they buy a policy or renew it, an abridged form of the GI Code of Practice, so they know what is expected of insurers with regard to claims handling and disputes?

12.1 RACQ is supportive of making relevant information available to policyholders to help explain what they can expect from their insurer and the GICOP.

Identification of vulnerability

13. Given the significant under-identification of vulnerable claimants, should consumers be asked to nominate/identify any vulnerabilities when they buy or renew policies? (I.e., tick a category, or provide details.)

13.1 RACQ is committed to improving our identification of vulnerability in order to greater support members/policyholders and we are supportive of exploring practical solutions to help members feel comfortable and open to inform us if they are experiencing a vulnerability. RACQ's online claims lodgement portal includes questions to establish if the claimant has experienced circumstances that may exacerbate a vulnerability for further triaging, but we welcome alternative options such as explicit questions or checkboxes to capture vulnerability more effectively.

'Storm chasers'

14. Regarding 'storm-chasers', those who approach people following a natural disaster offering to manage their insurance claim for a fee:

a. How prevalent are such storm-chasers?

14.1 The prevalence of storm chasers can vary depending on the event. RACQ has observed increased activity in hailstorm events, particularly in Queensland's Central Coast and Wide Bay regions following the hailstorms in Rockhampton in 2020, Gympie in 2022 and 2023 and variably on the Gold Coast.

b. Do they encourage policyholders to opt for cash settlements?

14.2 A storm chaser's business model generally leads claimants to a cash settlement so that the repairs can be undertaken by the storm chaser, this being the purpose of their engagement in the first instance. This recent behaviour over the last five years, along with greater consumer awareness of options can be attributable to the increasing trend in cash settlements. In all cases, RACQ assesses and scopes the repair work with one of its panel builders, providing the claimant with the option of having repairs completed by RACQ, which also provides a lifetime guarantee on the repairs.

14.3 RACQ will not pay a settlement directly to a storm chaser given the uncertainty of their licencing and appropriate expertise to complete the repairs accurately and safely. As noted above, RACQ issues a Cash Settlement Fact Sheet informing claimants of their options and rights when accepting a cash settlement.

c. Should these people be regulated?

14.4 Yes, with the introduction of Claims Handling as a Financial Service this group should be brought into the regulatory net.

14.5 RACQ sees benefit in storm chasers being more regulated and monitored to ensure consumers are adequately protected against the risks of unlicensed builders conducting repairs and firms offering claims management services without the appropriate financial services licences.

14.6 As this is an industry-wide issue, the Insurance Council of Australia (ICA) has provided the following additional comments and information on disaster chasers that is supported by RACQ.



Disaster chasers typically offer services to disaster affected property owners ranging from repair and assessment to end-to-end claims management.

Disaster chasers have been consistently present and highly active during the last five years, with the first organised examples appearing around five years before that. The ICA estimates the current number of claims under the management of disaster chasers to be in the several thousands based on market intelligence and outstanding claims portfolios.

ICA's members have reported instances of disaster chasers approaching consumers at their home, including elderly Australians or those from culturally and linguistically diverse backgrounds.

The ICA has generally issued alerts to consumers and media about disaster chasers following declared Insurance Catastrophes and Significant Events. Examples of the types of practices observed involving disaster chasers are outlined below.

- Representing they have been sent by an insurer (when they have not) to inspect the customer's home assess damage and provide a quote.
- Taking advantage of the customer's vulnerability and belief they are dealing with a representative from an insurer, including by asking customers to sign a blank consent form or entering into a contract with the disaster chaser which is unlikely to include a cooling-off period, and on terms that might be unfavourable to the customer.

Examples of unfavourable terms include the customer having to pay the disaster chaser a percentage of the value of repairs if the customer receives a cash settlement payment from the general insurer or using the disaster chaser's preferred repairer (also requiring a cash settlement). This percentage can be up to 20% or equivalent to \$20,000 and can leave the consumer with insufficient funds to undertake the necessary repairs or owing an amount to the disaster chaser.

Note that (as per part b of the question), either option above will involve the disaster chaser encouraging the customer to opt for a cash settlement.

Where a customer has given written authorisation to the disaster chaser, the actions taken by disaster chasers might prejudice a customer's rights under the policy terms and conditions in the general insurer's Product Disclosure Statement. For example, the ICA has been informed of instances where a disaster chaser prevents the general insurer's access to the customer's property, or the disaster chaser has authorised a replacement or rebuild to their associated repairer without the general insurer having an opportunity to assess and authorise the customer's claim.

If a customer commits to the repair work with the disaster chaser, the customer may not realise they will lose the general insurer's quality of repair guarantee and that any customer complaints about repair defects or issues would need to be progressed through court instead of accessing the free and independent Ombudsman, AFCA.

Disaster chasers are already covered under the auspices of standard consumer protection and financial services laws. The ICA understands some disaster chaser businesses became licensed and regulated by ASIC when claims handling became a financial service. The ICA and insurers continue to bring deleterious disaster chaser examples to the attention of regulators. ICA are not aware of any regulatory enforcement action being contemplated, however enforcement action under the current regulatory regime may be useful in discouraging this activity.



Complaints process

15. For how long are complaints dealt with by your customer service teams before they are moved (if unresolved) to internal dispute resolution (IDR) teams?

- 15.1 As discussed in Part 1, Section 2.1, RACQ's IDR process commences from the moment that an expression of dissatisfaction is received from a policyholder. If a complaint managed by a frontline team is not resolved within 25 calendar days, the complaint will automatically escalate to our Member Relations team.
- 15.2 If the frontline employee determines that they are unable to resolve the complaint in the complainant's favour, prior to the 25th calendar day, the frontline employee will manually escalate the complaint to our Member Relations team.

16. For how long are complaints managed by IDR teams before customers are advised that they can take their case to AFCA?

- 16.1 In accordance with ASIC RG 271, RACQ are provided 30 calendar days, effective from the date that a policyholder first makes a complaint, to review the complaint and to provide a final decision. If RACQ are unable to provide a final decision within that stipulated timeframe, we must notify the complainant, prior to 30 calendar days elapsing of the reasons that a final decision is unable to be provided, the complainant's right to refer the complaint to AFCA, and AFCA's contact details.
- 16.2 Additionally, RACQ actively makes policyholders aware of the availability of AFCA's services in documentation such as Product Disclosure Statements, Financial Services Guides and Customer Information Sheet, on RACQ's website, verbally upon request and at the time that RACQ communicates an adverse outcome to a claimant with respect to a claim made.

Post-flood clean-ups

17. Consumer and legal-rights advocates have told the inquiry that many consumers were informed by their insurer that they could not begin a clean-up until an assessor inspected the damage. Yet people often waited weeks for an assessor to visit, which resulted in more damage and more stress. They say that this response is wrong and unfair.

- 17.1 During catastrophe events RACQ has proactively encouraged members via our website, at point of claim lodgement over the phone or in store, in social media communication and press releases to commence their clean up suggesting policyholders keep photos or samples of discarded items as they progress. Many members also ask our staff about this when lodging their claim.

18. What is your policy with regard to accepting photographic/video evidence of damage where there are delays in damage assessments?

- 18.1 Photographic or video evidence as well as retaining a small sample of the damaged item (for example carpet) as part of the cleanup is a normal approach for RACQ to assess a claimant's loss and allow for the claimant to commence the cleanup process. RACQ promotes this approach during weather events by providing guidance to claimants through our website and in social media posts and articles.
- 18.2 RACQ also has a documented process for lower quantum claims, such as single item or food spoilage claims, where basic details of the loss can be taken verbally over the phone or using photos to accept a claim and provide settlement on the spot.

19. If you don't accept such evidence, why not? In what circumstances would you accept it?

- 19.1 RACQ accepts such evidence as a normal part of assessing a claim.



20. In what percentage of your claims arising from the 2022 floods did you accept photographic/video evidence of damage?

20.1 RACQ does not record this level of data and is unable to provide a percentage.

20.2 As noted above, RACQ aims to settle simple claims at the point of lodgement or as quickly as possible through a process referred to as 'quick claims', where details of lower quantum, single item or food spoilage claims can be taken verbally over the phone or using photos to accept a claim and provide settlement on the spot.

Additional data

21. Please complete the attached spreadsheet (Flood insurance – additional data, March 2024.xlsx) of additional data requests, covering:

- a. Flood-related claims categories
- b. Complaint numbers
- c. Number and percentage of claims initially denied or partially denied
- d. Complaints to IDR, and IDR decisions
- e. Referral to the Australian Financial Complaints Authority (AFCA)
- f. Decisions at AFCA
- g. Main sources of disputes referred to AFCA
- h. Claims-handling staff numbers
- i. IDR staff numbers.

21.1 RACQ has supplied the data in the spreadsheet format provided and it is attached separately to this letter.

Hydrology Reports

22. Please provide the average cost of a hydrology report for each of the 2022 flood events (i.e. for CAT 221, SE 222, CAT 223 and CAT 224 separately).

22.1 RACQ did not require hydrology reports. RACQ automatically provides cover for flood (including water runoff) under the Household insurance policy offered, and policyholders are not provided with the choice to opt out of flood cover. This eliminates the need for such reports.

Thank you for the opportunity to supply additional information and data for the inquiry. Please feel to contact should you require any further details on our responses.

Yours sincerely

David Carter
Managing Director and Group CEO